SECTION 53 -- INFORMATION TECHNOLOGY

Summary of Changes

Highlights the requirement that e-Government projects be prioritized and managed effectively, be citizen-centered, and include specific outcomes (section 53.1).

Provides detailed information on formulating life cycle costs (section 53.1).

Clarifies the definitions of financial and non-financial systems (section 53.2).

Adds a new grants management part to exhibit 53 and removes the resources summary part (section 53.6).

Revises the coding system for exhibit 53 (section 53.7).

53.1 Why must I report on information technology?

This information helps OMB:

- Identify large IT investments for possible review during the budget process;

- Ensure that spending on IT supports an agency's mission;

- Identify investments in agency infrastructure and office automation;

- Identify investments that support agency enterprise architecture development, business process re-engineering (BPR), IT policy development, and acquisition management;

- Understand the amounts being spent on development and modernization of IT versus the amount being spent on operating and maintaining the status quo for IT;

- Understand an agency's capital planning and investment control processes for the portfolio of IT investments;

- Identify the funding sources for agency IT investments;

- Identify investments for IT security as part of agency life-cycle costs for specific investments and IT security that is crosscutting or infrastructure related;

- Ensure that life cycle costs for specific investments reflect compliance with OMB and agency privacy policies;

- Provide a full and accurate accounting of IT expenditures as required by the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996;

- Ensure that spending on IT supports agency compliance with the requirements of Section 508 of the Rehabilitation Act Amendments of 1998 (Electronic and Information Technology Accessibility) and Section 504 of the Rehabilitation Act of 1973 (Reasonable Accommodation);

- Ensure that spending on IT prioritizes and manages e-Government projects effectively through your agency's capital planning process and enterprise architecture. Ensure that initiatives create a citizen-centered electronic presence and advance an e-Government strategy that includes specific outcomes to be achieved;

- Review requests for agency financial management systems;

- Review requests for agency grant management systems; and

- Prepare the Government-wide five-year plan required by the Chief Financial Officers (CFOs) Act of 1990.

You must provide this information using the Agency IT Investment Portfolio (exhibit 53) reporting format. This format was developed jointly by OMB and the Chief Information Officers' Council and provides basic information your agency needs to link its internal planning, budgeting, acquisition, and management of IT resources (i.e., the capital programming process). In addition, as an output of your agency's internal capital programming process, your budget justification for IT must provide results oriented information on IT operations and improvement initiatives in the context of the agency's missions and operations. Your budget justification, including the status and plans for information systems, should be consistent with your agency's submissions on financial management activities required by section 52 and the applicable guidance in Part 3 of this Circular.

Total investments costs must cover the life of each system and include all funding sources (direct appropriation, working capital fund, revolving funds, etc.). OMB no longer requires submission of the detailed funding source and appropriation breakout on the exhibit 53. However, this information must be available at the agency in case it is needed during budget reviews. Life cycle costs should also be risk adjusted to include any risks addressed on the Capital Asset Plan (if applicable). Examples of areas that may cause the adjustment of life-cycle costs would be strategic risks, technological risks, human capital issues, acquisition strategy, IT security and privacy risks, enterprise architecture, and any other issues identified on the capital asset plan. These total investment costs must be formulated and reported in order for OMB to meet the Clinger-Cohen Act's requirement that "at the same time that the President submits the budget for

a fiscal year to Congress under section 1105(a) of title 31, United States Code, the Director shall submit to Congress a report on the net program performance benefits achieved as a result of major capital investments made by executive agencies in information systems and how the benefits relate to the accomplishment of the goals of the executive agencies."

53.2 What special terms must I know?

Information technology, as defined by the Clinger-Cohen Act of 1996, sections 5002, 5141, and 5142, means any equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. For purposes of this definition, equipment is "used" by an agency whether the agency uses the equipment directly or it is used by a contractor under a contract with the agency that (1) requires the use of such equipment or (2) requires the use, to a significant extent, of such equipment in the performance of a service or the furnishing of a product. Information technology includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources. It does not include any equipment that is acquired by a Federal contractor incidental to a Federal contract.

Information system means a discrete set of information technology, data, and related resources, such as personnel, hardware, software, and associated information technology services organized for the collection, processing, maintenance, use, sharing, dissemination or disposition of information.

Financial management systems are financial systems and the financial portion of mixed systems (see definitions below) that support the interrelationships and interdependencies between budget, cost and management functions, and the information associated with business activities.

Financial systems are comprised of one or more applications that are used for any of the following:

- Collecting, processing, maintaining, transmitting, and reporting data about financial events;
- Supporting financial planning or budgeting activities;
- Accumulating and reporting cost information; or
- Supporting the preparation of financial statements.

A financial system supports the processes necessary to record the financial consequences of events that occur as a result of business activities. Such events include information related to the receipt of appropriations or resources; acquisition of goods or services; payment or collections; recognition of guarantees, benefits to be provided, or other potential liabilities or other reportable activities.

Mixed system means an information system that supports both financial and non-financial functions of the Federal Government or components thereof.

Non-financial system means a system that supports management functions of the Federal Government or components thereof and does not record financial events or report financial information.

Major IT system means a system that requires special management attention because of its importance to an agency mission; its high development, operating, or maintenance costs; or its significant role in the administration of agency programs, finances, property, or other resources. Large infrastructure investments (e.g., major purchases of personal computers or local area network improvements) should also be evaluated

against these criteria. Your agency Capital Planning and Investment Control Process may also define a "major system." All major systems must be reported on exhibit 53. In addition, a "major" IT system is one reported on your "Capital Asset Plan and Justification," exhibit 300 (see Part 3 of this Circular). For the financial management mission area, "major" is any system that costs more than $500,000. If you are unsure about what systems to consider as "major," consult your agency budget officer or OMB representative. Systems not considered "major" are either "significant" or "small/other."

Significant project means an information technology project or investment that is significant to the business of the agency, may require greater visibility, and does not meet the requirements of "major" identified above.

Small/Other means all other small or individual projects that do not meet the criteria for "major" or "significant" but is part of the agency's overall IT portfolio.

53.3 How do I determine whether I must report?

Submit an agency IT investment portfolio (exhibit 53) to OMB if either of the following are true:

- Your agency is requesting funding for IT investments via a Capital Asset Plan (see section 300). If you are unsure whether your agency will submit exhibit 300, consult your OMB representative.

- Your financial management system BA is above $500,000.

53.4 How do I submit exhibit 53 and when is it due?

You must submit exhibit 53 in an electronic format either by e-mailing a spreadsheet version of exhibit 53 or, if your agency uses I-TIPS, by submitting it directly from I-TIPS. If you choose to e-mail exhibit 53, use the spreadsheet provided at www.cio.gov. This spreadsheet is formatted to meet all the reporting requirements of the exhibit 53. Send the completed spreadsheet to exhibit 53@omb.eop.gov. The subject line must have the three digit OMB agency code (see Appendix C) and the full agency name.

Your exhibit 53 is due to OMB by September 10th. In addition, you must update each exhibit 53 you submitted in September to reflect any changes due to final budget decisions (see section 27.3).

53.5 If I submitted exhibit 53 last year, how do I revise it this year?

If your agency provided an exhibit 53 for the FY 2001 Budget, you may choose to update the file that is located at www.cio.gov for your agency. If this is your first time reporting, use the Excel formatted version at the same web-site entitled Agency5303.xls.

53.6 How is exhibit 53 organized?

(a) *Overview.*

As a general rule, exhibit 53 covers IT for your agency as a whole. However, in some cases, OMB might require you to prepare the exhibit at the bureau level. Provide investment amounts in millions PY through BY. Information reported here must be consistent with data you report in schedule O, object classification (specifically, object classes 11.1 through 12.2, 23.1, 23.2, 25.2, 25.3, 25.7, 26.0, 31.0, and 41.0). Include all major IT systems, including financial management systems, reported in exhibit 300.

Exhibit 53 has four major parts:

- Part 1. IT systems by mission area.
- Part 2. IT infrastructure and office automation.
- Part 3. Enterprise architecture and planning.
- Part 4. Grants management.

All parts use the following common data elements:

- *Title* means a definitive title that explains what the project or investment is entitled.

- *Development/modernization/enhancement* means the program cost for new systems, changes or modifications to existing systems that improve capability or performance, changes mandated by Congress or agency leadership, personnel costs for project management, and direct support. This amount equals the sum of amounts reported for planning and full acquisition of that system in exhibit 300 and is required for "major" systems only.

- *Steady state* means maintenance and operation costs at current capability and performance level including costs for personnel, maintenance of existing information systems, corrective software maintenance, voice and data communications maintenance, and replacement of broken IT equipment. This amount equals amounts reported for maintenance of that system in exhibit 300 and is required for "major" systems only.

- *Percentage financial* means an estimated percentage of the total system budget authority associated with the financial components. See the financial system definition for a description of financial functions.

- *Percentage IT security* means an estimated percentage of the total investment for budget year associated with IT security for a specific project.

(b) *Part 1. IT systems by mission area.*

Consistent with your agency's strategic and annual performance plan, report amounts for IT investments that directly support an agency-designated mission area (e.g., human resource management, financial management, command and control). Report each mission area in which IT systems, programs, projects, or initiatives are funded. For each mission area, itemize each "major" and each "significant" IT system by name and the total cost of all "small/other" systems. To determine how many systems should be listed as either "major" or "significant" in each mission area, use the rule that the greater percent of your IT expenditures should be identified within the combined listing of the two categories. For FY 2002, agencies identified an average of 76 percent of their total IT investments as either "major" or "significant." This is the performance goal to focus on achieving and increasing as agencies use capital planning and investment control processes to better manage information technology. Therefore, your exhibit 53 should focus on achieving at least this level of visibility for your "major" and "significant" projects. At a minimum, all major and significant projects that were part of the FY2002 exhibit 53 reported as part of the President's Budget **(www.cio.gov)**, should be reported as part of the portfolio throughout its life-cycle (initial concept to retirement).

You must have a mission area titled "Financial Management," and it must be reported as the first mission area. Some systems support financial functions in addition to other functions. If a system supports financial functions, you must include an estimated percentage of the total system obligations associated with the financial components. See the financial system definition for a description of financial functions. Systems that predominately support financial functions should be included in the first mission area, "Financial Management." If the project reported is 100 percent financial, indicate 100 percent in the column. For mixed systems or projects, indicate the appropriate percentage that is financial. For those projects that are fully non-financial, enter zero.

(c) *Part 2. IT infrastructure and office automation*.

Report amounts for IT investments that support common user systems, communications, and computing infrastructure. These investments usually involve multiple mission areas and might include general LAN/WAN, desktops, data centers, cross-cutting issues such as shared IT security initiatives, and telecommunications. Report each "major" and each "significant" IT infrastructure system, program, project, or initiative separately. Report your IT security initiatives and projects that are not directly tied to a mission area or project on a separate line with a descriptive title for what the line includes.

(d) *Part 3. Enterprise architecture and planning*.

Report amounts for IT investments that support strategic management of IT operations (e.g., business process redesign, enterprise architecture development, IT investment planning, procurement management, and IT policy development and implementation).

(e) *Part 4. Grants management*.

Report amounts for IT investments that represent planning, developing, enhancing or implementing a grants management system or portion thereof. Highlight any grants systems initiatives as defined by this section. To highlight a system, which is not defined as major/critical, agencies should consider identifying the grants system as significant.

53.7 How is exhibit 53 coded?

Use the following 17 digit line number coding system to update or complete your exhibit 53:

Entry:	Description:
XXX-xx-xx-xx-xx-xxxx-xx	The first three digits are your agency code (see Appendix C).
xxx-XX-xx-xx-xx-xxxx-xx	The next two digits are your bureau code (see Appendix C). If this is a department only reporting, use 00 as your bureau code.
xxx-xx-XX-xx-xx-xxxx-xx	These two digits indicate the four parts of exhibit 53: ‣ 01 = Part 1. IT Systems by Mission Area ‣ 02 = Part 2. IT Infrastructure and Office Automation ‣ 03 = Part 3. Enterprise Architecture and Planning ‣ 04 = Part 4. Grants Management
xxx-xx-xx-XX-xx-xxxx-xx	These two digits indicate the mission area. Assign a unique code for each mission area reported.

Entry:	Description:

xxx-xx-xx-xx-**XX**-xxxx-xx	These two digits indicate your agency's type of investment. Select one of the following two digit codes according to the type of investment you are reporting:
	
	    ▸ 01 = Major investments
	
	    ▸ 02 = Significant investments
	
	    ▸ 03 = Small/Other investments

xxx-xx-xx-xx-xx-**XXXX**-xx	This is a four digit identification number that identifies a specific investment or project. If a new project is added to exhibit 53, locate the area of exhibit 53 where you are going to report the project and use the next sequential number as your four digit identification number.

xxx-xx-xx-xx-xx-xxxx-**XX**	The final two digits identify the status of the investment you are reporting. Select one of the following two digit codes according to what you report on the title line:
	
	    ▸ 00 = Total project investment title line, or the first time the agency is reporting this particular investment
	
	    ▸ If the project was reported and approved by OMB during previous budget cycles, these two digits represent the first year the project was baselined by OMB (e.g. 02 means the project was baselined in the FY02 budget process)

53.8 What are the steps to complete exhibit 53?

The following provides step-by-step instructions to complete each part of exhibit 53. See section 53.2 and 53.6 for definitions.

AGENCY IT INVESTMENT PORTFOLIO

Entry	Description
Part 1. IT Systems by Mission Area	Report amounts for IT investments that directly support an agency-designated mission area. Report each mission area in which IT systems, programs, projects, or initiatives are funded. This information should map directly to your agency's strategic and annual performance plan. For IT applications that cover more than one agency, report in the mission area with oversight of the project. Mission area 01 is reserved for your "financial management" projects and activities. Step 1: For each mission area, list each major IT system or project and the corresponding investment costs. For BY only, if financial or mixed, identify what percentage is financial. For BY only, if IT security costs are included, identify what percentage of the total investment is IT security. Provide the development/modernization/ enhancement and steady state costs. Step 2: For each mission area, list each significant project total and a summary total for small/other projects. If either of these has financial, mixed, or IT security, identify the appropriate percentages.
Part 2. IT Infrastructure and Office Automation	Report amounts for IT investments that are common user systems, communications, shared IT security initiatives, and computing infrastructure. Investments listed will usually support multiple mission areas (e.g., general LAN/WAN, desktops, data centers, telecommunications). Report each major IT infrastructure system, program, project, or initiative and each significant system separately. Sum the costs of

Entry	Description
	small/other projects.
	Follow the step-by-step instructions outlined in Part 1.
Part 3. Enterprise Architecture and Planning	Report amounts for IT investments that support strategic management of IT operations (e.g., business process redesign, enterprise architecture development, IT investment planning, procurement management, and IT policy development and implementation).
	Follow the step-by-step instructions outlined in Part 1.
Part 4. Grants Management	Report amounts for IT investments that support grants management operations. See classification instructions in section 53.6 under Grants Management.

Agency IT Investment Portfolio

Code	Entry	Total Investment			Percentages		DME			Steady State		
		PY	CY	BY	Financial	IT Security	PY	CY	BY	PY	CY	BY
123-45-00-00-00-0000-00	**Agency, Total IT Investment Portfolio (sum of all parts 1,2,3, and 4)**	X	X	X			X	X	X	X	X	X
123-45-01-00-00-0000-00	**Part 1. IT Systems by Mission Area (subtotal for all mission areas under part 1)**	X	X	X			X	X	X	X	X	X
123-45-01-01-01-0000-00	title of mission area, and subtotal for all major, significant, and small projects under the mission area.	X	X	X			X	X	X	X	X	X
123-45-01-01-01-1010-00	major project title and total investment	X	X	X	X	X	X	X	X	X	X	X
123-45-01-01-02-1030-00	significant projects and total investment	X	X	X	X	X						
123-45-01-01-03-0000-00	small/other projects and total investment for each mission area	X	X	X	X	X						
123-45-02-00-00-0000-00	**Part 2. IT Infrastructure and Office Automation (subtotal for all investments under part 2)**	X	X	X			X	X	X	X	X	X
123-45-02-01-01-1010-00	major project title and total investment	X	X	X	X	X	X	X	X	X	X	X
123-45-02-01-02-1010-00	significant projects and total investment	X	X	X	X	X						
123-45-02-01-03-0000-00	small/other projects and total investment	X	X	X	X	X						
123-45-03-00-00-0000-00	**Part 3. Enterpirse Architecture and Planning (subtotal for all investments under part 3)**	X	X	X			X	X	X	X	X	X
123-45-03-01-01-1010-00	major project title and total investment	X	X	X	X	X	X	X	X	X	X	X
123-45-03-01-02-1010-00	significant project and total investment	X	X	X	X	X						
123-45-03-01-03-0000-00	small/other projects and total investment	X	X	X	X	X						
123-45-04-00-00-0000-00	**Part 4. Grants Management (subtotal for all investments under part 4)**	X	X	X			X	X	X	X	X	X
123-00-04-00-01-1010-00	major project title and total investment	X	X	X	X	X	X	X	X	X	X	X
123-45-04-01-02-1010-00	significant project and total investment	X	X	X	X	X						
123-45-04-01-03-0000-00	small/other projects and total investment	X	X	X	X	X						

X in any position above indicates it is required for that type of investment.